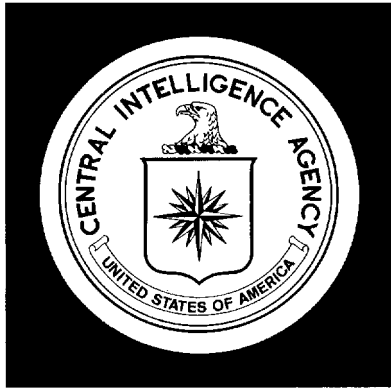


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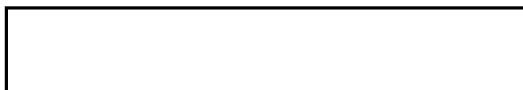
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USSR-CHINA: General Secretary Brezhnev added his personal prestige to the current campaign against China yesterday by condemning "the practice of Maoism."

Speaking at a public rally in Alma Ata, not far from the Sino-Soviet border, Brezhnev gave a gloomy assessment of Soviet relations with the Chinese that echoed many of the themes presented in last week's Pravda article by "I. Aleksandrov," a pseudonym indicating high-level endorsement. In the strongest language used against the Chinese in recent months, Aleksandrov described Peking's actions as "hostile" to world socialism. Brezhnev's remarks were similarly pessimistic and in marked contrast to his references to Peking a year ago when he tried to mute Sino-Soviet differences.

Brezhnev's speech praised the Soviet policy of detente and placed special emphasis on Moscow's efforts to develop a system of collective security for all of Asia. He reviewed the good relations the USSR has developed with most Asian countries and was optimistic about future prospects for harmony in the area now that the Vietnam war is over. His treatment of China, however, implied that the Chinese leadership's policy of "rabid anti-Sovietism" was a major obstacle to stability in Asia.

Since last month's Crimea conference of Warsaw Pact leaders, the Soviets have clearly been orchestrating a new ideological campaign against the Chinese. The Aleksandrov article was the first move in this campaign that has had strong support from some of Moscow's staunchest allies in Eastern Europe. Now that Brezhnev has given his personal endorsement to the campaign, other Soviet leaders and their closest allies can be expected to increase the tempo of their criticisms of the Chinese, particularly as a counter to any anti-Soviet themes that emerge at the forthcoming 10th National Congress of the Chinese Communist Party. [REDACTED]

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EUROPEAN COMMUNITIES: The sharp attacks leveled by a French official against the EC Commission and West Germany, in particular, give a foretaste of the controversies that will confront the European community this fall.

With the blessings of President Pompidou, Minister of Agriculture Chirac granted an interview to a French news magazine in which he not only again blasted recent EC Commission proposals that would disadvantage certain French agricultural producers, but, more importantly, attacked West Germany for allegedly "turning away from Europe." Moreover, all of France's EC partners were criticized for declining to support Paris in its efforts to encourage European soybean production--even in the face of the US limitations on soybean exports.

Chirac's strictures on Germany reflect Pompidou's widely reported pessimism about German intentions. Commentary in the French press about Chirac's interview in fact adopted an apocalyptic tone regarding the significance of the Minister's remarks. Although Chirac's comments are clearly designed to serve the specific purpose of defending the advantages France has gained from the common agricultural policy, a point made in British press editorials, they also are part of Pompidou's current tactics aimed at discouraging West Germany from embarking on "foreign adventures" in the East.

Although official German reaction to Chirac's statements has been restrained, the press has responded strongly, giving vent to the considerable impatience felt toward Paris and its European policy. Privately, moreover, Bonn officials are highly irritated both with the substance and the unexpectedly harsh tone of the interview. The German Embassy in Paris has been instructed to make known Bonn's dismay and surprise and to ask for "clarification."

By way of explaining underlying French motives reflected in the agricultural dispute, a German Foreign Office official noted France's resentment over

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Germany's growing political and economic power, opposition to Germany's role in promoting an intensified US-European dialogue, and the always present French displeasure with Bonn's improved relationship with the USSR and Eastern Europe. Another Foreign Office official has said that whatever lies behind the rhetorical bombast in Chirac's interview, such public expression produces an atmosphere of distrust that neither Germany, Western Europe, nor the US should regard with equanimity.

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WEST GERMANY - EASTERN EUROPE: Bonn's negotiations with Czechoslovakia and Bulgaria on establishing diplomatic ties have stalled over Berlin-related questions.

The major unresolved issue is whether West German embassies in Prague and Sofia will be authorized to represent West Berlin institutions--in this case, courts--as well as provide consular representation for West Berlin citizens. Neither the Czechoslovaks nor the Bulgarians are willing to accept Bonn's position on this issue, and the West Germans believe that Hungarian officials now in Bonn to negotiate the establishment of diplomatic relations will also balk. The Czechoslovaks reportedly have told the West Germans that Prague's room for maneuver on the Berlin issue has been severely limited by the Soviet Union. Bonn officials believe that Soviet and East German pressure is responsible for the intransigence of the Czechoslovaks and the Bulgarians.

The West Germans have responded by exerting public pressure on the East Europeans. A government press spokesman stated on 14 August that final signature of the reconciliation treaty with Czechoslovakia drafted last May is now endangered and that Chancellor Brandt would not go to Prague as scheduled in early September unless the issues are resolved. A member of the Foreign Office has indicated that Foreign Minister Scheel would also cancel his scheduled trip to Bulgaria.

Despite these problems, the strong desire of the West Germans and the East Europeans to normalize relations will probably lead to a resolution of differences. Czechoslovakia's wish to end the stalemate is suggested by the fact that its chief negotiator will travel to Bonn to resume talks on 20 August.

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CHANGES IN THE DOLLAR VALUE OF FOREIGN CURRENCIES SINCE 19 MARCH
(In Percent)

	15 August	9 August	27 July	11 July	6 July
Mark	+14.8	+19.0	+23.1	+17.6	+25.1
French franc	+ 5.9	+ 9.5	+12.5	+11.6	+19.9
Sterling	+ 0.2	+ 0.8	+ 1.9	+ 3.6	+ 3.9
Yen	- 0.2	- 0.1	- 0.2	+ 0.2	+ 1.1

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[REDACTED]

INTERNATIONAL MONETARY DEVELOPMENTS: The dollar has risen sharply this week on international money markets. In Germany, it reached a value of 2.46 marks yesterday, its best showing since 29 June and an appreciation of over 3 percent since 8 August. The rally, propelled by rising US and Eurodollar interest rates, has produced growing confidence in the dollar and has become at least partly self-sustaining. Improved US balance-of-payments figures announced yesterday may give further impetus to the rally.

The rise has enabled major central banks to sell some of the dollars they had acquired in previous interventions. In addition, the Bundesbank was able to sell in the open market last week about \$150 million acquired from the expenditures of US military forces in West Germany. The decision by the West Germans to sell dollars at this juncture reflects concern that too quick a dollar recovery could cause future exchange market instability.

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[REDACTED]

NORTH VIETNAM - USSR: The North Vietnamese and the Soviets apparently have resolved their differences on economic, but not military, aid matters. Premier Pham Van Dong and Premier Kosygin presided at a ceremony on 14 August in which the two sides signed aid and trade agreements for 1974 and 1975. The Soviets agreed to assist North Vietnam in reconstruction and in the development of the power and coal industry, roadbuilding, virgin lands, and geological prospecting. Military men from both sides took part in the talks, but the press announcement contained no hint of military aid, suggesting that significant problems still remain. In the past annual aid agreements included both economic and military contributions. The North Vietnamese delegation was able to secure both types of aid from three East European countries during its recent tour. [REDACTED]

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USSR: A record Soviet grain crop of 155 to 160 million metric tons of usable grain is still likely if the weather remains good and harvest losses are normal. There is still a chance, however, that the harvest will fall below the lower end of this range. Higher than expected losses could occur in the western USSR where harvesting operations are being slowed by lodged grain and wet weather. Despite a faster pace since the end of July, only about 40 percent of the total grain area had been threshed by 13 August, compared with an average of about 45 percent in 1970-72. In addition, excess moisture and weediness of stored grain could cause a shortfall in the amount of milling-quality wheat. [REDACTED]

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CUBA: Havana's budding relationship with Guyana will get another boost in September when Fidel Castro visits Georgetown. The two countries established diplomatic relations last December and subsequently signed agreements on trade and air transport. The next step--exchange of resident diplomatic missions--will probably be discussed when Castro meets with Prime Minister Burnham early next month. Castro may also want to set up a base for Cuban fishing boats in Georgetown to replace a similar facility in French Guiana that was abandoned several years ago.

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